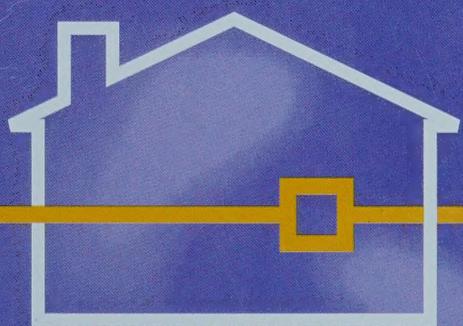


Global Thermoelectric Inc.

December 31, 2000 Annual Report

**Bringing HOME
the POWER of Innovation**



CORPORATE PROFILE

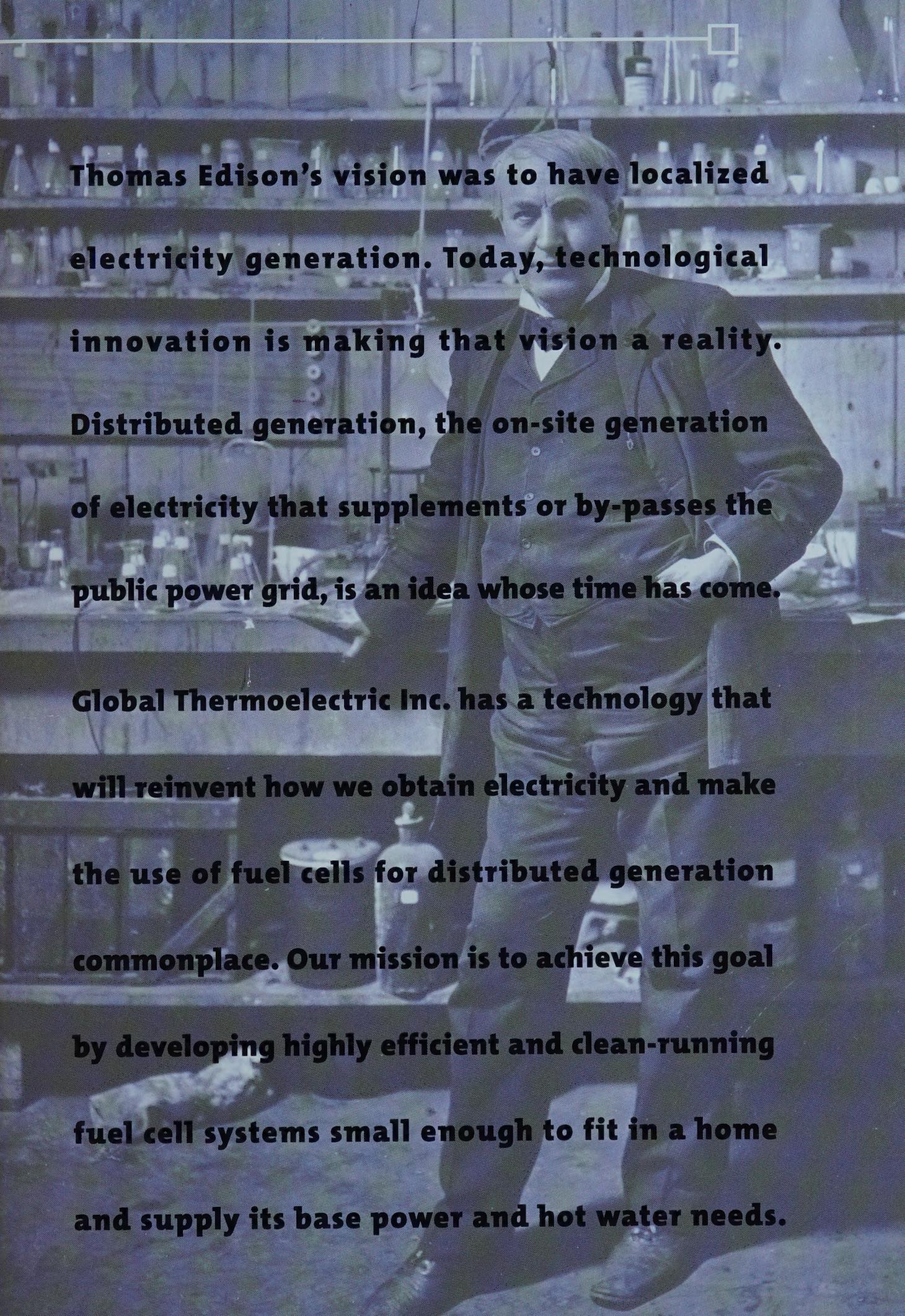
Global Thermoelectric Inc. is a world leader in the development of planar solid oxide fuel cell (SOFC) technology. The Calgary-based company is also the world's largest manufacturer and distributor of thermoelectric generators for use in remote locations, and produces advanced personnel heaters for use by the defense industry. The Company is listed on The Toronto Stock Exchange under the symbol GLE.

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held at 2:30 PM local time on June 6, 2001 in Glen 201-204, TELUS Convention Centre, 120 Ninth Avenue SE, Calgary, Alberta, Canada.

Note Regarding This Report

Effective December 31, 2000 Global Thermoelectric Inc. changed its fiscal year end from March 31 to December 31.

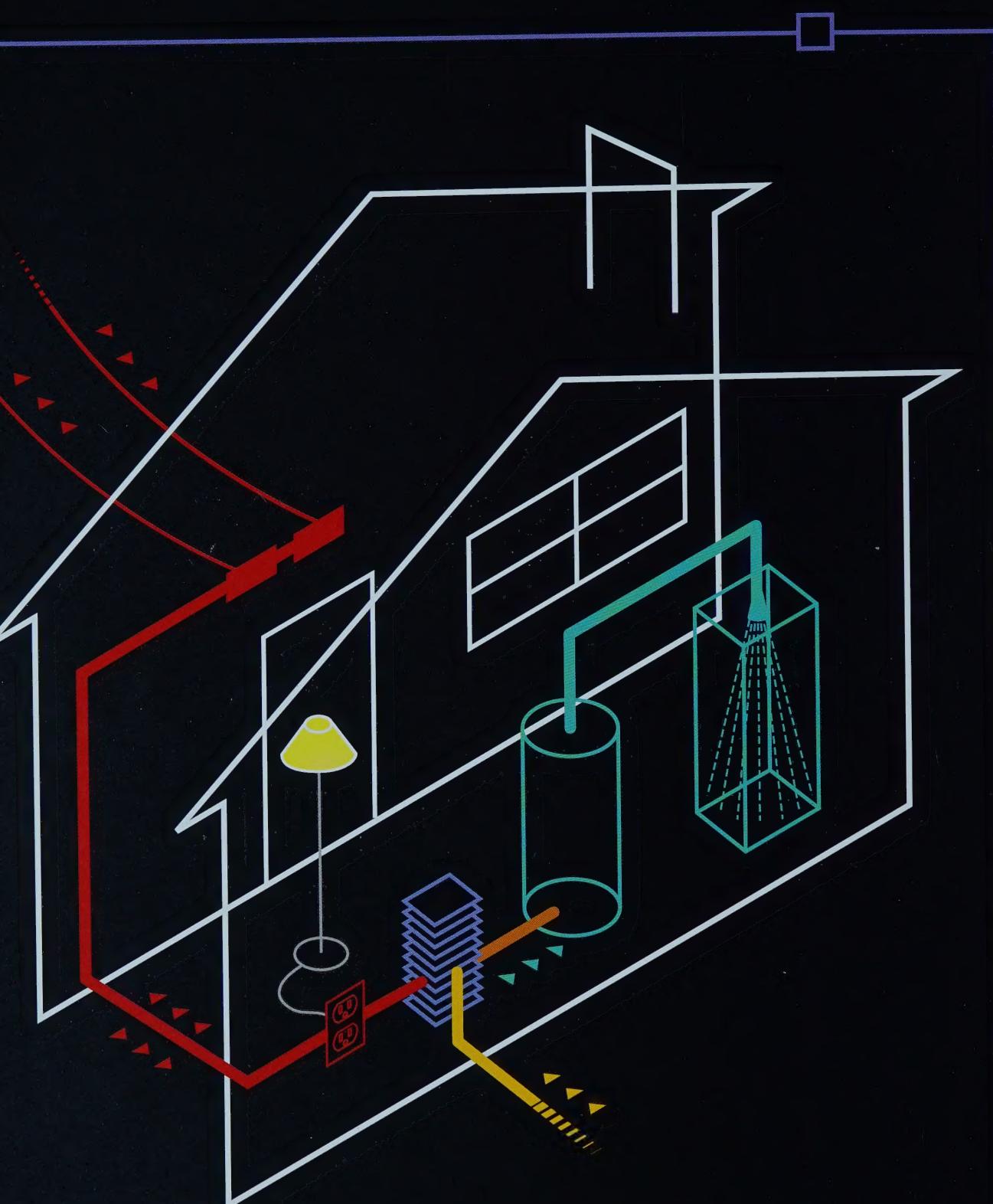


Thomas Edison's vision was to have localized electricity generation. Today, technological innovation is making that vision a reality.

Distributed generation, the on-site generation of electricity that supplements or by-passes the public power grid, is an idea whose time has come.

Global Thermoelectric Inc. has a technology that will reinvent how we obtain electricity and make the use of fuel cells for distributed generation commonplace. Our mission is to achieve this goal by developing highly efficient and clean-running fuel cell systems small enough to fit in a home and supply its base power and hot water needs.

BRINGING HOME THE POWER OF INNOVATION



Global's residential SOFC with efficient heat and power capability.

TRADITIONAL POWER PLANTS have been scaled to generate megawatts of power for transmission over long distances through complex cross-country networks. Yet, the typical residential consumer in North America on average only requires two kilowatts and commercial consumers use about ten kilowatts.

This mismatch between the end-user, who needs relatively small amounts of reliable and inexpensive electricity, and the massive scale approach to power generation with its inherent inefficiencies, vulnerable transmission corridors, significant capital requirements and environmental costs, is being addressed by new alternate energy technologies, including Global's fuel cells.

Global's mission is to develop more efficient, cleaner, less disruptive solutions closely scaled to the needs of end-users. By leveraging the inherent advantages of our technology — the solid oxide fuel cell (SOFC) — to develop natural gas or propane fueled Combined Heat and Power (CH&P) systems, our goal is to provide systems that will offer unrivaled convenience, reliability and value for consumers.

We expect that both consumers and society at large can benefit from our approach. Our technology can help reduce future environmental impacts from power generation and while we do propose the use of hydrocarbon fuels until such a time when a hydrogen infrastructure exists, it is in a highly efficient and responsible manner.

Key to our vision is the belief that on-site generation is complementary to centralized power distribution. We believe that most urban consumers will want the combined benefits and efficiencies of home power plus grid power. On-site generation can also supplement the grid by relieving overloaded systems and by offering more flexible and economic solutions specific to local needs while leaving a much lighter ecological footprint on our neighborhoods.

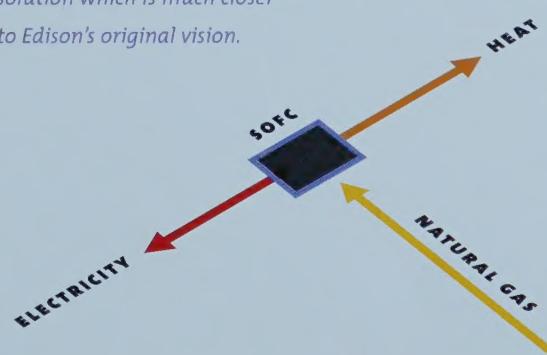
Thomas Edison (1847-1931) was possibly history's most prolific inventor. He filed 1,093 patents and is best remembered for creating the electric light bulb and the phonograph. Edison's light bulb led to the birth of the electricity industry which started with the Edison Machine Works in 1881 serving 50 square blocks of lower Manhattan.

Edison envisioned a dynamic, decentralized electricity industry, with dozens of companies creating power close to the end-user. Initially, power generation evolved in that manner. However, with the introduction of large steam turbines and the development of alternating current, it became feasible to generate much larger amounts of power that could be transmitted over great distances. Concurrently, the view that the power business was a natural monopoly took root, and as a result, power generation evolved along a very different path from the one envisioned by Edison. Technological progress a hundred years later is reinventing how we obtain electricity and offering a solution which is much closer to Edison's original vision.



Thomas Edison (1847-1931)

Schematic of a SOFC system. Natural gas is converted into heat and electrical power.



MESSAGE TO SHAREHOLDERS



Jim Perry, President and CEO, Global Thermoelectric Inc. (left) with Pat Daniel, President and CEO, Enbridge Inc. at the opening of Global's Pilot Fuel Cell Production Plant in Calgary on December 14, 2000.

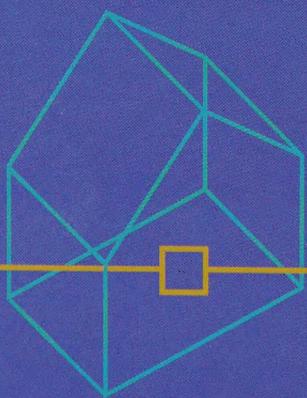
The Last Nine Months - A Surge of Interest

Global experienced a watershed year in 2000. Our success created a surge of interest in the Company. This was further enhanced by a widespread public focus on the alternate energy technology sector. We recognized the value of this unprecedented level of attention and seized the opportunity to advance the long-term interests of our Company and of our shareholders. That is the legacy of the past nine months. The key details are:

Business Development - Partnering

On July 31, 2000, Enbridge Inc. and Global announced a strategic alliance to develop and distribute natural gas fueled SOFC residential systems. Under the terms of the alliance, Enbridge invested \$25 million in Global to fund SOFC product development work to reach a commercial launch of residential and small-scale commercial units. Under the terms of the alliance, Enbridge is providing market intelligence and input into product design and will have exclusive distribution rights for the resulting products in Canada. Global retains control over the development process and continues to own the technology, designs, patents and trademarks.

The alliance with Enbridge was attractive to Global because of Enbridge's diverse strategic interests and strong position in Canada. Enbridge is Canada's largest energy distribution company with over 1.5 million natural gas customers. Enbridge Services provides sales, leasing, installation and maintenance services for gas appliances and leases over 1.2 million hot water heaters. The company operates a comprehensive service system, including a fleet of more than 800 service vehicles to support customers' needs in Ontario alone. This capability fits very well with Global's desire to have our product aggressively marketed and supported in key markets in Canada. The alliance with Enbridge serves as a good model for future distribution arrangements with energy companies in North America and elsewhere in the world.



Financing Activity - Energizing the Company

In August 2000 Global completed an equity financing for gross proceeds of \$100 million. At December 31, 2000 the Company had \$135.3 million in cash and short-term investments.

As a result, the Company is in a strong financial position with sufficient funds to complete much of the development work needed to launch our SOFC technology.

The most immediate impact of the additional resources is a rapidly expanding workforce. The Company expects to double staffing levels in the Fuel Cell Division to approximately 160 professionals by the end of 2001.

Fuel Cell Development - Powering Up

Significant accomplishments have been achieved in the development of our SOFC technology in the past nine months. Our fuel cell achieved record power densities (a measure of a cell's electrical output). A prototype residential system operating on natural gas was developed and extensively tested. Numerous improvements in stack design, overall stack performance and reforming have also been realized. To protect the fruit of three years' worth of research and development, the Company has filed ten patents to date. After year end our fuel cell stacks were also integrated into an Auxiliary Power Unit system for automotive uses and demonstrated in a development vehicle in February 2001.

In December, the Company opened its 32,000-square-foot Pilot Fuel Cell Production Plant. The project was completed on time and on budget. The purpose of the pilot plant is to take fuel cell production out of the laboratory and into a volume-oriented environment. In March 2001, the Company added a further 47,000-square-foot space to house fuel cell development laboratories and other testing facilities.

The sum of these achievements was to establish a stable base technology of significant commercial value and to put in place the bulk of the tools needed to rapidly advance the commercialization of our SOFC. These achievements have positioned Global as a front-runner in the development of planar SOFC technology in North America, a major accomplishment in just three years.

Fuel Cells, Looking Ahead - Empowered to Deliver

Our focus in 2001 is on two key priority areas – **prototyping and partnerships**. In this regard the Company plans to:

- Rapidly develop prototype residential and remote power systems which should lead to extensive field-testing in 2002 and 2003. Enbridge is expected to undertake testing of its first residential prototype system in the second half of 2001. Prototyping is essential to develop systems with performance characteristics that match market needs and which are competitive with rival products. Subsequently, field-testing will refine the final design as well as ensure the durability and quality of our products.
- Expand its business ties with technology and business partners. Technology partnerships are expected to speed up development, particularly with regard to balance of plant components. Business partnerships are expected to help secure market access. Our emphasis is on securing access to U.S. markets. We view the U.S. market as one of the most attractive markets in the world and one which is likely to embrace fuel cell technology more quickly than elsewhere. Deregulation, environmental issues and an already strong demand for on-site power sources make the U.S. an ideal market. To pursue this priority, Global added a Vice President of Business Development to its management team in January 2001 and has significantly increased the size of the business development group.

Success in both of these areas will ensure that the Company has well-developed products and access to significant markets.

Other technology research and product development efforts in 2001 are expected to focus on overall stack performance, interconnect design and manufacture and integration to reduce system size and costs. The pilot plant is expected to develop optimal fuel cell production processes.

Generators and Heaters - Steady Growth

With sales in 47 countries, Global is the world's largest manufacturer and distributor of thermoelectric generators. Revenue from the sale of generators for the nine months ending December 31, 2000 exceeded \$14.0 million. Sales of generators in all markets were strong.

In 1999, Global was awarded a \$19.4 million contract by the Gas Authority of India to install thermoelectric generators at 66 sites along a new pipeline from Jamnagar on India's west coast to Loni, near Delhi, about 1,200 kilometres away. At year end, the generators were being commissioned and revenues from the project totaled \$17.1 million. Our generators were not damaged by the earthquake in Gujarat State in January of 2001.

Global has also developed and distributes a unique air heater for use in military vehicles. The heater business was in response to the U.S. Army's need for new heater technology for its armored vehicles. In 1996, Global was awarded a \$18.0 million contract to provide the U.S. Army with 4,000 heaters. Heater product revenues were \$3.7 million in the nine months ended December 31, 2000. These results were lower than expected due to production delays associated with changes in materials supplied which adversely affected the performance range of the heaters. No orders were lost and production has since resumed.

The U.S. Army continues to show an ongoing appetite for our A-20 heater and heater products. In 2000, the Company received its first significant order from the U.S. Army for cargo bay heater kits. In addition, the Company continues to explore potential markets with European clients.

Conclusion - A Bright Future

Our focus in 2001 is on developing prototype systems, seeking partners and refining our technology. These efforts are essential to ensure our continued growth and success. And, in spite of challenging external realities, such as the volatility of public capital markets and the current economic downturn, we believe Global's future is bright and that we can achieve the goals that we have set ourselves. There are several good reasons to think so.

First, we are confident in the competitive advantages of our technology. Global's SOFC can be installed anywhere natural gas or propane is available (our SOFC has also been operated on gasoline). The combined (power plus heat) efficiency of our stationary systems is expected to be in the order of 75%-85%. The efficient high-grade heat by-product (approximately 600°c) of our fuel cell systems can be easily captured and put to use heating the domestic hot water supply. These factors will have enormous implications for market competitiveness and penetration because Global's products are expected to provide a unique level of convenience, reliability and value for consumers.

Second, the Company is sufficiently well financed to complete much of the principal development work necessary prior to commercialization.

Third, we do not perceive the current economic downturn to have an adverse impact on our business plan to introduce fuel cell products and reach commercial quantities over the next several years. High energy costs, particularly natural gas prices, that do have a direct bearing on the market reach of our products, have been accompanied by concurrent increases in electricity rates in major North American markets offsetting the potential adverse impacts of rising gas prices on our technology.

One of the reasons for Global's success is our very committed workforce and a supportive shareholder base. On behalf of Global's Executive and Board of Directors, I would like to sincerely thank both our employees and shareholders for their support in the past year and look forward to reporting continued success and achievement in 2001.

Jim F. Perry

President and Chief Executive Officer

April 16, 2001



Summary

Global is focused on the development of fuel cell technology for residential and small-scale commercial applications (up to 25 kW). Our approach, which is distinct from other fuel cell developers of similar applications, is to fully exploit the inherent advantages of the planar Solid Oxide Fuel Cell (SOFC). There are two key differentiating advantages of SOFC technology:

1. Fuel cells require hydrogen as a fuel. A hydrogen infrastructure does not exist, and its creation is highly uncertain because of the prohibitive costs involved. For the foreseeable future, hydrocarbon fuels such as natural gas, propane or gasoline will need to be processed to extract hydrogen to run fuel cells.

In this context, the significant advantage of our technology over other fuel cells is that the SOFC does not require pure hydrogen. In particular, Global's SOFC uses carbon monoxide, a sizeable by-product of hydrocarbon fuel reforming, as a fuel. Therefore no expensive or delicate carbon monoxide clean-up technology is present in our systems. Further, by

utilizing more of the mixed gas stream, SOFCs can achieve higher fuel efficiencies.

2. The SOFC produces high-grade heat (at temperatures exceeding 600°C) as a by-product of electrical generation, making it an ideal appliance for efficient Combined Heat and Power (CH&P) applications. This high-grade heat by-product can be easily captured and put to use heating, for example, the domestic hot water supply and to support fuel reforming. As a result, Global's fuel cell systems are expected to achieve efficiencies in the order of 75% - 85%, higher than other comparable fuel cell systems.

These factors have enormous implications for market competitiveness and penetration. Global's fuel cell systems can be easily installed anywhere natural gas or propane is available, are expected to operate more efficiently and cost less than comparable fuel cell systems that do not employ SOFC technology. In the long-term, the marketplace can be expected to favour our products.

FUEL CELL CROSS SECTION

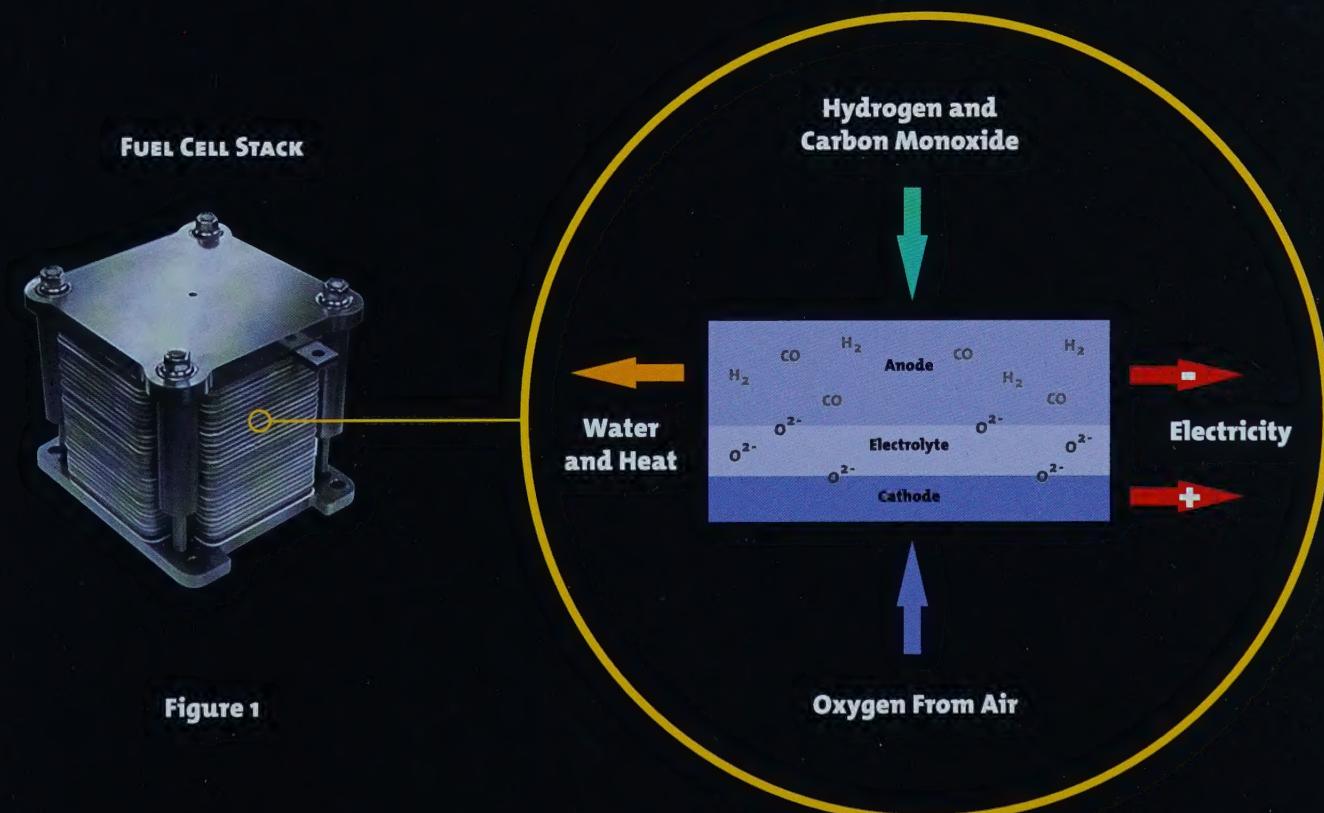


Figure 1

SOFC Membrane

Fuel Cell Stack

Fuel Cell System

Figure 2

Thermally Integrated Unit

Natural Gas and Air

Reformer

Hydrogen and Carbon Monoxide

Fuel Cell Stack

System Efficiency 75% - 85%

High Grade Heat
600°C

DC Power

Power Conditioner

Figure 3

AC Power

How a Fuel Cell Works

Electrochemistry 101

Fuel cells are electrochemical devices that combine hydrogen with oxygen to produce electricity, heat and water. The fuel is not burned but is electrochemically combined with oxygen from air. The absence of combustion in the fuel cell limits harmful nitrous, sulfur oxide and carbon dioxide emissions. As electricity is generated directly involving no intermediate mechanical or thermal processes, fuel cells are very efficient compared with all other technologies.

All fuel cells have three component parts: an anode, a cathode and an electrolyte (Figure 1). Fuel cells are characterized by the make-up of the electrolyte (either solid or liquid) or supporting structure (the anode, cathode or electrolyte) and by the process (either hydrogen proton or oxygen ion conducting technology) and sometimes by the shape of individual cells. Global's solid oxide fuel cell (SOFC) is a ceramic planar (flat, square or rectangular) cell, with a solid electrolyte that is anode supported (the thickest component to which all other materials are subsequently mounted) and conducts oxygen ions.

Other SOFC technologies exist and can be cathode or electrolyte supported and are sometimes tubular in shape. These alternative SOFC technologies have lower power densities (power output for the surface area of a cell), operate at higher temperatures (1,000°C) and are generally not well suited for small-scale power applications.

How Global's SOFC Works

Electrochemistry 201

The anode and cathode have a relatively high porosity which allows gasses to pass through them. The cathode side receives oxygen (from air) and the anode side is supplied fuel (hydrogen and carbon monoxide) (Figure 1). The electrolyte, between the anode and cathode, must

be dense and conducts oxygen ions from the cathode to the anode. As the negatively charged oxygen ion combines with hydrogen, the hydrogen is transformed from H₂ to H₂O or water. Similarly carbon monoxide is transformed into carbon dioxide. The negatively charged oxygen ions on the anode side supply electrons that return through an external load to the electron deficient cathode side for the production of a flow of electrons or electricity. Because of the electrochemical process and the resistance in the solid ceramic electrolyte, heat is also generated.

The individual fuel cell membrane is the heart of any system. Individual cells provide limited amounts of power and are therefore combined to form stacks and then integrated into systems (Figure 2). Cells are held in place by interconnect plates.

What is Unique About Global's Cell

Power Density Advantage

Global has developed a proprietary micro-structure which gives its fuel cells very high power densities (the amount of power measured in watts per square centimetre of surface area). Since initial development work began in 1998, power densities at 750°C operating temperature have increased nearly five-fold (Figure 4).

High power densities will allow Global's fuel cell stacks to be significantly smaller, lighter and less expensive. In addition, Global's SOFC no longer needs to operate in the challenging 800°C - 1,000°C range. Interconnect plates, which facilitate fuel and oxygen flow, collect electrical current and which hold the fuel cells in place in the stack, can now be stamped standard stainless steel components. At the higher operating temperatures of other SOFC systems, exotic metal alloys or ceramic materials and complicated manufacturing processes have to be employed for interconnects.

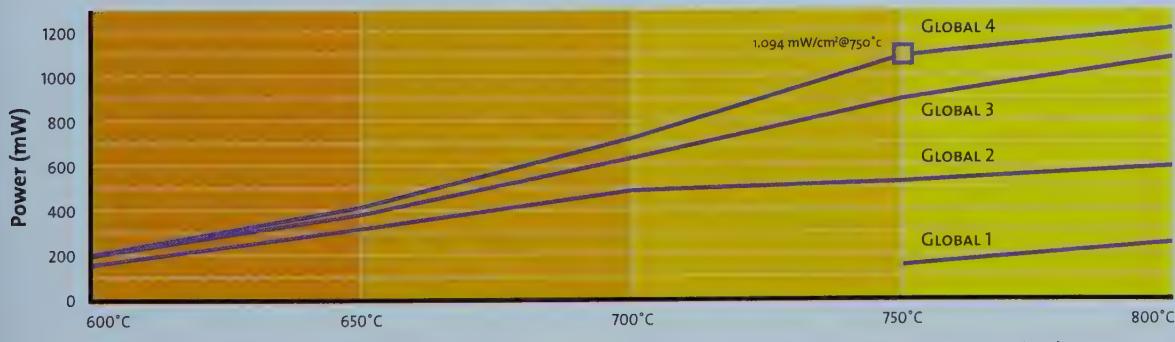


Figure 4. Power Densities and Operating Temperatures (mW/cm² @ 0.7 V on Hydrated H₂)



A



B

WHAT IS UNIQUE ABOUT GLOBAL'S SOFC

Thermal Cycling

Thermal cycling involves bringing a fuel cell system to operating temperature, then returning it to ambient temperature before returning to operating temperatures. SOFCs have not been traditionally capable of thermal cycling because glass seals were used around the cells and gas manifold. When such a unit is thermally cycled, the glass seals crack causing leaks and the rapid deterioration of the fuel cell stack.

In 1999, Global developed a proprietary high-temperature compressive seal which will permit the stacks to be thermally cycled with reduced degradation and leakage. The new seals are also expected to improve the SOFC's vibration tolerance, an essential requirement for automotive applications.

HOW THE SOFC GETS HYDROGEN

The Reforming Advantage

In the foreseeable future, today's hydrocarbon fuel infrastructure will remain the source of hydrogen for fuel cells. In order to use these fuels, they must be reformed, a process whereby the hydrogen in the hydrocarbon fuel is separated from the carbon through a thermal reaction.

The first step in the reforming process is to heat the hydrocarbon to an elevated temperature of between 700°C and 900°C, then pass the resulting gas over a catalyst along with water vapour or air. This very simple process is widely used in industry, such as in production of ammonia for fertilizer. The catalyst promotes a reaction where the hydrogen is freed, and the carbon is combined with oxygen to form carbon monoxide. The result is a mixed gas stream of hydrogen and carbon monoxide. Since

SOFCs do not require a stream of pure hydrogen fuel, unlike many other fuel cells, there is no need to further process the mixed gas fuel stream to remove the carbon monoxide. SOFCs are also more tolerant to impurities such as sulphur that regularly form part of the household and commercial natural gas stream.

For other systems, such as PEM fuel cell systems where carbon monoxide can poison the cell membrane, costly and complex post processing must be undertaken. None is required for an SOFC, leading to a significant cost advantage. In fact, the SOFC uses carbon monoxide as a fuel. When carbon monoxide is present on the fuel side of the cell, oxygen ions move through the electrolyte to make electric power when they combine with the carbon monoxide to form carbon dioxide (Figure 1). By utilizing more of the mixed gas stream, SOFCs gain in efficiency. This capability has already been demonstrated by Global.

THERMAL INTEGRATION

Heat and Balance of Plant Advantage

When compared to other fuel cell technologies, the operating temperature of Global's SOFC generates significant other balance of plant advantages beyond the absence of carbon monoxide clean-up technology mentioned above. Because the SOFC stack operates at temperatures approximating hydrocarbon fuel processing temperatures, the entire system can be thermally integrated resulting in a more compact and less complicated system (Figure 3). Also, waste heat and useable gases from the SOFC stack are captured and returned to support fuel processing and air pre-heating resulting in a system with high efficiencies. Lower temperature fuel cells do not have this advantage.

A 50' TAPE CASTER

The first step in the manufacturing of an individual SOFC membrane is tape casting the 1 mm anode component of the cell. Tape casting is a high volume production technique developed in the 1950's and is now widely used in many industries, in particular the computer chip industry.



C



D

HIGH-GRADE HEAT

The Combined Heat and Power Advantage

Where both heat and power can be used, Global's SOFC has significant advantages. Because the SOFC's operating temperature is between 600°C and 750°C, high-grade heat is produced as a by-product of electricity generation. High-grade heat can be easily captured and put to use heating domestic hot water as well as supporting fuel processing. The efficiency of Global's SOFC systems is expected to be as high as 85% providing an additional benefit to the consumer in comparison with systems which are not SOFC based.

How SOFCs Are Made

A Manufacturing Advantage

SOFC technology initially appealed to Global because manufacturing equipment to produce these cells is readily available. Cells are made using well-established and relatively simple methods such as tape casting and screen-printing. Global's pilot production plant has equipment such as a tape caster, printer and kilns that, with minor modifications, were acquired "off the shelf". Interconnect plates are expected to be produced in high volume by using metal stamping. The availability of existing manufacturing equipment and processes will contribute towards making Global's fuel cell systems cost competitive.

By February 2001, the plant demonstrated initial volume production of 500 cells/week. The cells produced were of very high and consistent quality and tunnel kiln throughput times were reduced by

as much as 50%. The pilot plant will be optimizing fuel cell production processes in 2001 and developing volume production and assembly methods for system components in 2001-2002.

BALANCE OF PLANT

Reducing Costs

A high proportion of the cost of a fuel cell system involves what is commonly called "balance of plant components". Balance of plant refers to reforming, power conditioning technology and other electronic components designed to control a fuel cell system's operation. As noted above, Global's SOFC approach provides significant advantages with regard to the cost and efficiency of reformer components.

Our prototype development in 2001 will emphasize integration, particularly further integration of fuel cell stacks and the reformer as well as of electronic components. Prototype systems under development in 2001 will involve two different fuel processing technologies (steam reforming and partial oxidation reforming) and are being built with volume manufacturing applications in mind. The Company expects to make significant progress in reducing the cost and size of its systems. Initiatives involving all aspects of system design - gas manifolds, insulation, heat exchangers and electronic controls for example - are being undertaken. In an effort to develop systems at a lower cost, the Company has even successfully adopted inexpensive mass-produced hardware from the automotive industry.

B SCREEN PRINTING

In the second step, the electrolyte and cathode components of Global's SOFC (which are 5-10 microns thin) are printed onto the anode. The process takes place in a dust-free environment.

C 60' TUNNEL KILN

The SOFC must be fired in a kiln at temperatures ranging up to 1,400°C. The cell undergoes sintering (a process whereby materials fuse together) and solvents, bonding agents and other unwanted substances in the membrane are burned off.

D TEST STATIONS

Individual cells are assembled into stacks. The final step involves conditioning and testing stacks at operating temperatures.

Stationary Markets

There are several key markets for fuel cells: stationary markets, such as remote, residential, small commercial and large industrial applications; and transportation markets ranging from passenger vehicles to large truck transports.

Today Global is focused on developing stationary 1-25 kW systems. Larger systems, up to 250 kW, may be developed in the future. Typical residential base load requirements in North America are approximately 2 kW, average small commercial requirements are 10 kW and most remote power requirements will fit in the 3-25 kW range. For Global's technology, as for most other fuel cell developers, stationary markets will come to fruition sooner than transportation markets because of the relatively lower technological and cost challenges.

It must be recognized that substantial engineering and technical obstacles must nevertheless be overcome in the future to make a successful and economical fuel cell based product. Global is working hard to assemble the team to meet these challenges and resolve them.

Remote Power

Remote power markets are anticipated to be early adopters of our technology. These are premium markets where power is difficult and expensive to obtain. Our goal of reaching prices between \$1,500-\$5,000 per kW is expected to permit significant market penetration. A major economic driver for SOFC products in remote markets is that power companies charge as much as \$18,000 per kilometre for grid extensions. Additionally, in developing countries where the grid infrastructure is limited and lacks reliability, fuel cells offer a flexible and cost effective alternative. Our fuel cells will displace reciprocating engine driven generators by providing cleaner, more reliable solutions with lower life-cycle costs. Global's systems will initially use either natural gas or propane as fuel, with liquid fuelled products coming on stream later.

Global expects to provide fuel cell systems for remote monitoring and control systems, cell towers, radio repeater stations, emergency communications and other applications that require reliable off-grid power.

As Global already has a significant presence in remote power markets through its thermoelectric generator products, the Company intends to market and distribute fuel cell based systems through its existing channels while at the same time exploring additional opportunities for partnerships and alliances to accelerate market penetration.

Residential and Small-scale**Commercial Applications**

Global's residential and small scale commercial power fuel cell products are expected to be introduced after remote products. Initially, systems costing \$1,500-\$3,000 per kW are anticipated to be sold to remote residential customers who may already be generating electricity on site using other technology such as diesel generators. In the long run, for mass-market adoption, systems will have to be priced aggressively in the \$500-\$1,000 per kW range.

One of the significant hurdles to mass-market application of fuel cells is the present cost of power conditioning equipment needed to provide and regulate a high quality AC supply (fuel cells generate DC power). It is expected that as the fuel cell industry matures, the cost of the requisite electronics will decline dramatically as products are sourced from offshore high volume manufacturers.

Global's SOFC systems are expected to provide more benefits (CH&P efficiencies up to 85%) than competing fuel cell systems. Additionally, systems may be leased rather than sold, providing for easier entry into markets. It is not expected that residential or small commercial systems will be net metered (ability to sell electricity back to the grid) since it will probably be more economical to turn down the system in times of low load rather than continue to consume gas to produce power for sale.

Enbridge Inc. is Global's distribution partner for residential and small-scale commercial fuel cell systems in Canada. Enbridge is Canada's largest energy distribution company with over 1.5 million natural gas customers in Eastern Canada and New York State. Enbridge operates a comprehensive gas appliance sales, service and leasing business in

Ontario and is ideally positioned to assist Global with a disciplined and well-supported introduction of these new products.

Beyond Canada's Borders

The single most attractive market for our stationary fuel cells systems is the United States. There are many areas in the U.S. with above-average electricity rates, an excellent natural gas and propane infrastructure and a relatively large and sophisticated consumer base who, on average, own larger houses with bigger power and heating bills than consumers in other countries. Global is focused on developing business ties with potential U.S. partners. Our partnering approach is broad and includes consideration of energy companies, manufacturers and retailers who could add value to Global's products. Achieving relationships in U.S. markets is a priority for 2001-2002. Other international markets will be addressed following successful business development in the U.S.

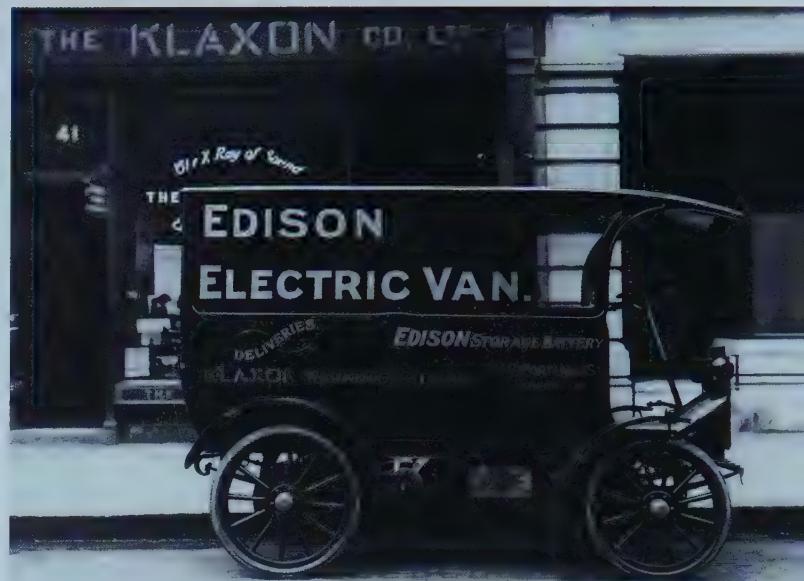
Automotive Markets

Automotive markets are highly competitive. Most automobile manufacturers are currently working to develop new technologies in response to regulatory efforts seeking to limit future adverse environmental impacts of transportation.

There are many competing approaches, involving electric and hybrid vehicles, which can attain zero emissions or near zero emissions. It is uncertain at this time which, if any, of the approaches will gain favour. In all likelihood, a number of solutions will emerge.

The technological and engineering challenges, as well as the aggressive costing requirements of automotive markets, is expected to result in the introduction of fuel cells into these markets later than stationary applications.

Since 1999, Global has been supplying Delphi Automotive Systems, the world's largest developer and manufacturer of automotive parts and systems, with fuel cell stacks for use in a gasoline fueled Auxiliary Power Unit (APU). An APU is a system for supplying on-board electricity independent of the combustion engine. The APU approach is designed to meet the higher voltage requirements (42 volts) of



Edison Electric Van, 1912

future passenger vehicles and is expected to rid the internal combustion engine (ICE) of power-draining parasitic loads.

Overall, the approach will not only result in more efficient vehicles, but also in cleaner transportation by integrating the SOFC generator into the engine emissions and fuel economy strategy.

Potentially, the best initial market for APU-SOFC technology may be diesel trucks and recreational vehicles which typically require significant amounts of autonomous electrical power. A significant barrier to entry into these markets is the absence of a well-developed and inexpensive diesel reformer technology to supply the fuel cell with hydrogen. Legislation mandating the use of clean diesel fuel is being proposed in many jurisdictions, potentially accelerating the development of diesel reformers.

Global will continue to explore automotive applications. Automotive products are not likely to be ready for commercialization until after mid-decade.

The following discussion and analysis should be read in conjunction with the audited financial statements and related notes included in this annual report.

The Company changed its year end from March 31 to December 31 effective December 31, 2000. To conform with U.S. generally accepted accounting principles (GAAP) and industry practice in both the U.S. and Canada, the Company has changed its method of accounting for research and product development costs and related income tax assets. The Company has expensed research and product development costs as incurred in the nine months ended December 31, 2000 and has retroactively applied this policy to prior comparative periods. In addition, the Company has not recognized the benefit of investment tax credits and income tax deductions available for carry forward in the current and prior periods. Note 3 of the audited financial statements included in this annual report

describes the impact of these changes on the current period and prior years' results.

Certain statements included in this Annual Report may constitute "forward-looking" statements within the meaning of the U.S. Private Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, general economic and business conditions, the ability of the Company to implement its business strategy, commodity prices and their effects on the energy industries and risks inherent in research and development projects.

(000's except per share amounts)

	NINE MONTHS ENDED DECEMBER 31		YEAR ENDED	
	2000	1999	MAR. 31, 2000	MAR. 31, 1999
	(audited)	(unaudited)	(audited)	(audited)
		(restated)	(restated)	(restated)
Revenue	\$ 18,337	\$ 13,998	\$ 27,286	\$ 13,594
Gross margin	3,792	2,379	5,826	4,170
Investment income	3,605	155	444	-
Research and product development - net	4,891	971	1,804	2,704
Net (loss) earnings	(2,339)	(1,409)	252	(1,326)
Per share	(0.10)	(0.07)	\$ 0.01	(0.10)
Dividends on preferred shares	482	48	48	197
Capital expenditure	\$ 5,575	\$ 771	\$ 987	\$ 1,529
Financial position				
Cash and short-term investments	\$ 135,300		\$ 24,290	(\$ 2,666)
Property and equipment	8,333		3,339	2,945
Total assets	160,675		41,439	10,463
Share capital	158,725		39,522	9,123
Accumulated deficit	(\$ 7,983)		(\$ 5,162)	(\$ 5,366)



Revenue from the sales and service of thermoelectric generators and military heaters for the nine months ended December 31, 2000 increased to \$18.3 million from \$14.0 million for the comparative period of the prior year. Revenue from the Company's generator sales and installation contract with the Gas Authority of India, and improved sales in the Company's major generator markets, accounted for the increase in current period revenue. Generator sales and service accounted for \$14.6 million in revenue in the current nine-month period, compared to \$7.8 million in the similar period of the prior year. Heater product sales were \$3.7 million in the nine months ended December 31, 2000 compared to \$6.2 million. Heater shipments to the U.S. military were lower than expected due to production delays which have since been rectified.

Gross margin was \$3.8 million, or 20.7 percent of revenue in the current nine month period, compared to \$2.4 million or 17.0 percent of revenue for the nine months ended December 31, 1999. The increase in generator sales accounted for the increase in gross margins in the period.

As a result of a significant increase in cash and short-term investments, investment income increased to \$3.6 million from \$0.2 million in the comparative period of the prior year.

The Company accelerated its fuel cell commercialization programs during the period, which resulted in increased research and product development costs of \$4.9 million compared to \$1.0 million in the previous period. The fuel cell division employed 70 people at December 31, 2000, compared to 27 at March 31, 2000. Operating expenses related to the Company's pilot production plant, which was commissioned in 2000, also contributed to the increase in expenditures. The generator and heater segment accounted for \$0.2 million of current period research and product development costs and \$0.3 million of the comparative prior period.

General and administrative expenses increased to \$2.1 million from \$1.1 million, reflecting additional resources required to manage and support the rapid growth within the organization. Marketing expenses increased to \$1.5 million from \$1.3 million in the

comparative period of the prior year, paralleling an increase in generator revenues.

Income taxes for the nine months ended December 31, 2000 were \$0.9 million compared to \$0.1 million in the previous period. Income taxes in India related to the Company's contract with the Gas Authority of India and increased large corporations tax accounted for the increase in the current period expense.

Primarily as a result of increased research and product development costs, the Company incurred a net loss of \$2.3 million (ten cents per share) for the nine months ended December 31, 2000, compared to a net loss of \$1.4 million (seven cents per share) on a restated basis, for the similar period of the prior year.

Liquidity and Capital Resources

At December 31, 2000, the Company held cash and short-term investments of \$135.3 million compared to \$24.3 million at March 31, 2000. On August 22, 2000, the Company closed an equity offering of 2,900,000 Special Warrants at \$34.50 each for net proceeds of \$94.6 million. The Special Warrants were converted into an equal number of common shares in the year for no additional consideration.

On July 31, 2000 in conjunction with a strategic alliance with Enbridge Inc., the Company issued Series 2 preferred shares for gross proceeds of \$25.0 million. These preferred shares have a cumulative dividend ranging from 5% to a minimum of 1% based on an inverse relationship to the volume-weighted average share price of the Company's common shares, determined quarterly. Unpaid dividends are increased by a 2.45% quarterly rate, compounded quarterly, until payment thereof. The preferred shares are convertible at the option of the holder into a lesser amount of common shares based on a premium that increases in five year increments to 2020, thereafter, they are convertible at 95% of the then market price. They are redeemable by the Company at their face value after July 31, 2004. For the period July 31, 2000 to December 31, 2000, the Company declared dividends of \$482,000 on the preferred shares and has subsequently paid these dividends in cash.

At December 31, 2000, the Company had net working capital of \$143.8 million, compared to

\$32.5 million at March 31, 2000. The Company's long-term indebtedness, comprised of obligations under capital lease and a research and development loan, decreased in the period to \$630,000 at December 31, 2000, compared to \$737,000 at March 31, 2000. The Company has an operating line of credit of \$20.0 million with a Canadian chartered bank, of which no amounts were drawn at December 31, 2000 and March 31, 2000. The amount of borrowings under this facility are limited by the Company's accounts receivable and investments held on account with the bank. In addition, the Company has a US\$4.0 million facility to support letters of credit and guarantee. Letters of guarantee issued pursuant to this facility totaled US\$1.4 million at December 31, 2000, compared to US\$1.6 million at March 31, 2000.

Investing Activities

Capital expenditures were \$5.6 million in the nine-month period ended December 31, 2000, of which expenditures related to the Company's new fuel cell pilot production plant and related equipment accounted for \$5.2 million. Capital expenditures in the nine months ended December 31, 1999 were \$0.8 million and \$0.4 million respectively.

The Company's capital expenditures in 2001 are expected to total between \$8 million and \$14 million as additional equipment and fixtures are purchased for its fuel cell pilot production plant and ancillary facilities. The Company also intends to significantly increase its expenditures on fuel cell research and product development in 2001 to an estimated \$15 million to \$20 million. The Company's existing cash and short-term investments are expected to fund its fuel cell expenditures for at minimum, the next two years.

Business Risks and Outlook

Fuel Cells

The Company's primary focus is the development and commercialization of fuel cell technologies. The viability of the fuel cell industry is contingent on the

ability to produce fuel cells that operate reliably on a cost competitive basis with conventional power sources. The Company has focused on stationary and remote power applications, a sector in which the Company has a successful track record with alternative power technologies, and auxiliary power applications for the transportation industry.

The fuel cell industry has attracted an increasing number of companies, and Global Thermoelectric's future profitability will depend, in part, on its ability to maintain technology leadership in solid oxide fuel cell (SOFC) technology. A number of the Company's existing competitors utilize proton exchange membrane (PEM) technology in their respective fuel cell development programs. The Company believes that each of these technologies has advantages in different applications, and consequently has chosen to focus on applications where it has judged SOFC technology to be superior. The fuel cell industry also faces competition in certain applications from other emerging power technologies such as micro-turbines. The Company's success will depend on its ability to compete on a performance and cost effective basis with these technologies.

Deregulation and restructuring of electrical utilities has provided an impetus for the commercialization of alternative power sources. Environmental regulations that govern emissions and air quality standards have also accelerated the development of fuel cells and alternative energy sources. The market for the Company's fuel cell products in the future will be influenced by both industrial and environmental regulatory factors.

The Company maintains conservative financial policies with respect to its ongoing investment in fuel cell development and commercialization relative to its cash resources. In light of unpredictability of external sources of capital, the Company strives to maintain a significant cash reserve base to continue its fuel cell initiatives, in spite of fluctuations in its access to external capital.

Thermoelectric Generators and Military Heaters

Customer demand for thermoelectric generators has historically been contingent on natural gas development drilling and pipeline activity, which in turn has been affected by the relative strength in natural gas prices. The Company believes that natural gas prices will remain strong in North America relative to historical levels, due in part to the rising consumption of natural gas. The prospect of continued gas exploration and development in such areas as the Mackenzie Delta in northern Canada also provides additional opportunities for the Company's products. The market for the Company's thermoelectric generators is expected to expand as other countries around the world develop their natural gas infrastructure. As with all commodity prices, however, pricing volatility and cyclical exists, and the market for the Company's generators is affected by this volatility. The Company competes with alternative electrical generating technologies for remote power applications. Although the Company believes its thermoelectric generators have significant reliability advantages over other competing products, the emergence of new technologies, including fuel cells, will influence the Company's ability to compete in remote power applications.

In 1996, the Company secured a major contract to supply the U.S. Army with personnel heaters. This fixed price contract has negatively impacted the profitability of this product line. While additional sales to the U.S. military may incorporate price increases, the Company's ability to achieve acceptable gross margins will also be contingent on maintaining high production volumes to achieve economies of scale. The ability of the Company to achieve an acceptable return on its heater investment will depend on its ability to secure additional sales orders from both the U.S. military and other foreign-country military agencies.

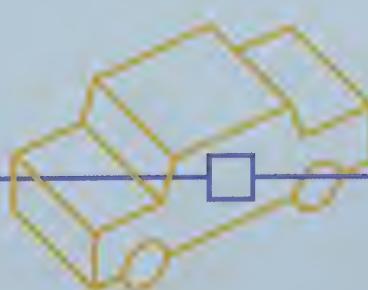
Corporate Governance

Details of Global's approach to corporate governance are contained in the Company's Information Circular prepared for the Special and Annual Meeting of Shareholders to be held June 6, 2001. Copies of the Circular are available from the Company on request and are mailed to shareholders of record along with the Annual Report and Proxy Statement.

Safety and the Environment

Our employees' safety is a paramount concern in all facets of our operations and in all regions where we operate. The Company has developed and rigidly enforces formal safety policies and procedures.

With regard to the environment, the Company's policy is to operate its business in a manner which protects the environment, the health of our employees and the citizens of the communities in which we may have an impact.



MANAGEMENT'S RESPONSIBILITY FOR REPORTING

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The financial statements for Global Thermoelectric Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this statutory report is consistent with that shown in the financial statements.

Management has designed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of accounting statements for reporting purposes. Timely release of the financial information necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. Such estimates are based on careful judgements by management.

External auditors appointed by the shareholders have conducted an independent examination of the corporate and accounting records in order to express their opinion on the financial statements. The Audit Committee, consisting of non-management directors, has met with the external auditors and management in order to determine if management has fulfilled its responsibilities in the preparation of the financial statements. The Audit Committee has reported its findings to the Board of Directors and the Board has approved the financial statements.



Jim F. Perry
President & CEO



Paul A. Crilly, CA
Vice President Finance & Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Global Thermoelectric Inc.

We have audited the balance sheets of Global Thermoelectric Inc. as at December 31, 2000 and March 31, 2000 and the statements of operations and accumulated deficit and cash flows for the nine month period ended December 31, 2000 and for the years ended March 31, 2000 and 1999. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2000 and March 31, 2000 and the results of its operations and its cash flows for the nine month period ended December 31, 2000 and for the years ended March 31, 2000 and 1999 in accordance with accounting principles generally accepted in Canada.



Chartered Accountants

Calgary, Canada

February 23, 2001

BALANCE SHEETS

(Amounts expressed in thousands of Canadian dollars)

DEC. 31, 2000 MAR. 31, 2000

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	DEC. 31, 2000	MAR. 31, 2000
ASSETS [note 6]		(restated - note 3)
Current		
Cash and cash equivalents	\$ 4,580	\$ 24,290
Short-term investments	130,720	-
Accounts receivable [note 14]	8,711	7,211
Inventory [note 4]	8,113	6,313
Prepaid expenses	218	286
	152,342	38,100
Property and equipment [note 5]	8,333	3,339
	\$ 160,675	\$ 41,439
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 7,104	\$ 5,001
Income taxes payable	820	196
Deferred revenue	405	72
Current portion of obligations under capital leases [note 8]	249	348
	8,578	5,617
Obligations under capital leases [note 8]	440	647
Research and development loan [note 7]	190	90
Commitments and contingencies [notes 6 and 11]		
Shareholders' equity		
Share capital [note 10]	158,725	39,522
Contributed surplus	725	725
Accumulated deficit	(7,983)	(5,162)
	151,467	35,085
	\$ 160,675	\$ 41,439

See accompanying notes

Approved on behalf of the Board of Directors:



Kerry Brown, Director



Glynn Davies, Director



STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

(Amounts expressed in thousands of Canadian dollars, except per common share amounts)

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	NINE MONTHS ENDED	YEAR ENDED	YEAR ENDED
	DEC. 31, 2000	MAR. 31, 2000	MAR. 31, 1999
Revenue		(restated - note 3)	(restated - note 3)
Generators/Heaters	\$ 18,337	\$ 27,286	\$ 13,594
Cost of goods sold	14,545	21,460	9,424
Gross margin	3,792	5,826	4,170
Investment income	3,605	444	-
	7,397	6,270	4,170
 Expenses			
Research and product development - net	4,891	1,804	2,704
Marketing	1,504	1,759	1,351
General and administrative	2,074	1,593	1,148
Interest on obligations under capital leases	55	107	88
Foreign exchange gain	(276)	(27)	(273)
Depreciation	579	577	472
 (Loss) earnings before income taxes	(1,430)	457	(1,320)
 Income taxes [note 9]			
Current	909	205	6
Net (loss) earnings	(2,339)	252	(1,326)
 Accumulated deficit, beginning of period	(5,162)	(5,366)	(1,126)
 Change in accounting policy [note 3]	-	-	(2,717)
 Dividends on preferred shares	(482)	(48)	(197)
 Accumulated deficit, end of period	\$ (7,983)	\$ (5,162)	\$ (5,366)
 Net (loss) earnings per common share	\$ (0.10)	\$ 0.01	\$ (0.10)

See accompanying notes



STATEMENTS OF CASH FLOWS

(Amounts expressed in thousands of Canadian dollars)

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	NINE MONTHS ENDED DEC. 31, 2000	YEAR ENDED MAR. 31, 2000	YEAR ENDED MAR. 31, 1999
Operating activities		(restated - note 3)	(restated - note 3)
Net (loss) earnings	\$ (2,339)	\$ 252	\$ (1,326)
Add (deduct) non-cash items:			
Depreciation	579	577	472
(Gain) loss on disposal of property and equipment	(1)	1	(45)
Cash flow from operations	(1,761)	830	(899)
Net change in non-cash working capital balances [note 12]	(486)	(2,964)	(2,567)
	(2,247)	(2,134)	(3,466)
Financing activities			
Research and development loan	100	90	-
Obligations under capital leases	-	-	1,191
Repayment of obligations under capital leases	(306)	(380)	(313)
Share capital, net of issue costs [note 10]	119,203	30,400	2,813
Redemption of preferred shares	-	(1)	-
Preferred share dividends	(168)	(48)	(197)
	118,829	30,061	3,494
Investing activities			
Purchase of property and equipment	(5,575)	(987)	(1,529)
Proceeds on sale of property and equipment	3	16	52
Purchase of short-term investments	(130,720)	-	-
	(136,292)	(971)	(1,477)
(Decrease) increase in cash and cash equivalents during the period	(19,710)	26,956	(1,449)
Cash and cash equivalents, beginning of period	24,290	(2,666)	(1,217)
Cash and cash equivalents, end of period	\$ 4,580	\$ 24,290	\$ (2,666)
Cash and cash equivalents defined as:			
Cash and cash equivalents	\$ 4,580	\$ 24,290	\$ -
Bank indebtedness	-	-	(2,666)
	\$ 4,580	\$ 24,290	\$ (2,666)

Supplemental cash flow information [note 12]

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

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1. NATURE OF OPERATIONS

The principal business of Global Thermoelectric Inc. (the "Company") is the development and commercialization of power generating equipment based on solid oxide fuel cell technology. The Company also manufactures and distributes thermoelectric generators for remote power needs and manufactures personnel heaters for military vehicles and other applications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and are consistent with generally accepted accounting principles in the United States (U.S. GAAP) as disclosed in Note 15 to these financial statements.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. The financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized below.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and a short-term interest bearing security with an interest rate of 5.82% maturing within three months of the date of purchase. Interest earned and any market value gains or losses are recognized immediately in the statement of operations.

Short-term Investments

Short-term investments consist of government securities and commercial paper which have original maturities of three months or more with interest rates ranging from 5.58% to 5.98%. The Company has classified short-term investments as held to maturity and has recorded these investments at cost.

Inventory

Inventories of finished goods and work in progress are valued at the lower of cost, determined on a unit cost basis, and market value. Raw materials and purchased parts are valued at the lower of cost, determined on a first-in, first-out basis, and market value.

Warranty Provision

The Company provides for future warranty costs (included in accounts payable and accrued liabilities) for contracts in progress based on management's best estimates of such costs taking into account past experience and the nature of the contract. As at December 31, 2000 the warranty provision included in accounts payable and accrued liabilities was \$861,609 (March 31, 2000 - \$745,187).

Property and Equipment

Property and equipment are recorded at cost. Depreciation is applied on a straight-line basis to recognize the cost less estimated salvage value of property and equipment, over their estimated useful lives as follows:

Buildings and leasehold improvements	3 - 20 years
Machinery and equipment	3 - 10 years
Equipment under capital lease	3 - 20 years

Research and Product Development Expenditures

Research and product development costs are expensed as incurred (see note 3 "Change in Accounting Policies"). The Company records fees earned and cost recoveries in its Fuel Cell segment as a reduction of research and product development costs. For the nine months ended December 31, 2000, \$Nil (March 31, 2000 - \$927,000; March 31, 1999 - \$Nil) fees and cost recoveries were recorded as a reduction in research and product development costs.

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

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Government Assistance and Investment Tax Credits

Government assistance is recorded as either a reduction of the cost of the applicable capital assets or credited in the statement of operations as determined by the nature of the assistance. During the current period, the Company received \$37,519 (March 31, 2000 - \$309,722; March 31, 1999 - \$209,010) in government assistance. All assistance received was recorded as a reduction to research and product development expense in the applicable period.

Investment tax credits are accounted for using the cost reduction approach. Credits are recorded, when utilized, as either a reduction of the cost of applicable capital assets or credited in the statement of operations and accumulated deficit depending on the nature of the expenditures, which gave rise to the credits.

Revenue Recognition

Revenue from product sales is recorded on shipment. A provision for potential warranty claims is made in the period of sale, based on warranty terms and prior claims experience. Service revenue is recognized when the service is performed.

Foreign Currency Translation

Monetary assets and liabilities which are denominated in a foreign currency are translated at period end exchange rates. Revenue and expenses are translated at rates of exchange prevailing during the period. All exchange gains and losses are reflected in income in the period incurred.

Incentive Stock Option Plan

The Company has an incentive stock option plan, which is described in note 10. No compensation expense is recognized for this plan when stock options are issued. Any consideration paid to the Company on the exercise of stock options is credited to share capital.

Net (Loss) Earnings Per Common Share

Net (loss) earnings per common share is based on the weighted average number of common shares outstanding during the period. The Company has retroactively, with restatement, adopted the new Canadian Institute of Chartered Accountants recommendations for per share calculations. The new standard utilized the treasury stock method in the determination of the fully diluted per share amounts. Under this method, the fully diluted weighted average number of shares amount is calculated assuming the proceeds arising from the exercise of outstanding options are used to purchase common shares of the Company at their average market price for the period. Fully diluted net (loss) earnings per common share is not presented on the statement of operations as the effect of outstanding options and convertible preferred shares is anti-dilutive.

The numerators and denominators used in the calculation of basic net (loss) earnings per common share were determined as follows:

	NINE MONTHS ENDED DEC. 31, 2000	YEAR ENDED MAR. 31, 2000	YEAR ENDED MAR. 31, 1999
Numerator:		(restated - note 3)	(restated - note 3)
Net (loss) earnings	\$ (2,339)	\$ 252	\$ (1,326)
Less: Dividends on preferred shares	482	48	197
	\$ (2,821)	\$ 204	\$ (1,523)
Denominator (ooo's):			
Number of shares issued at beginning of period	25,843	16,148	12,592
Weighted average number of shares issued during period	1,070	6,482	3,365
Weighted average number of shares at end of period	26,913	22,630	15,957

Income Taxes

Income taxes are calculated using the liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Reclassifications

Certain information provided in prior periods has been reclassified to conform with the current period presentation.

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

3. CHANGE IN ACCOUNTING POLICIES

Effective December 31, 2000, the Company changed its application of accounting policies related to product development costs and related investment tax credits and income tax assets. The Company expenses product development costs as incurred. Consequently, the Company has not recorded the benefit of future tax assets. These changes have been adopted retroactively, and March 31, 2000 and 1999 financial statements have been restated accordingly. The effects of these changes on the statements of operations and accumulated deficit and balance sheets were as follows:

	NINE MONTHS ENDED	YEAR ENDED	YEAR ENDED
	DEC. 31, 2000	MAR. 31, 2000	MAR. 31, 1999
Statements of operations and accumulated deficit		(Decrease) Increase	
Cost of goods sold	\$ -	\$ (46)	\$ -
Research and product development expenses	(4,891)	(1,804)	(2,704)
Amortization of deferred development costs	414	1,048	152
Future income tax expense	709	393	220
Loss for the period	(3,768)	(409)	(2,332)
Accumulated deficit, beginning of period	(5,414)	(5,005)	(2,673)
Accumulated deficit, end of period	\$ (9,182)	\$ (5,414)	\$ (5,005)
Loss per share	\$ (0.14)	\$ (0.02)	\$ (0.15)
Balance sheet			
Investment tax credits recoverable	\$ (968)	\$ (1,818)	
Deferred development costs	(3,509)	(4,254)	
Future income taxes	(1,568)	(73)	
Share capital	2,277	731	
Accumulated deficit	\$ (3,768)	\$ (5,414)	

4. INVENTORY

	DEC. 31, 2000	MAR. 31, 2000
Raw materials, parts and work in progress	\$ 7,055	\$ 6,218
Finished goods	1,058	95
	\$ 8,113	\$ 6,313

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

5. PROPERTY AND EQUIPMENT

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	DEC. 31, 2000		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Land	\$ 17	\$ -	\$ 17
Buildings and leasehold improvements	2,630	1,410	1,220
Machinery and equipment	8,797	2,921	5,876
Equipment under capital lease	1,755	535	1,220
	\$13,199	\$ 4,866	\$ 8,333

	MAR. 31, 2000		
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE
Land	\$ 17	\$ -	\$ 17
Buildings and leasehold improvements	1,654	1,276	378
Machinery and equipment	4,171	2,594	1,577
Equipment under capital lease	1,787	420	1,367
	\$ 7,629	\$ 4,290	\$ 3,339

6. CREDIT FACILITIES

The Company has an operating line of credit of \$20,000,000 with a Canadian chartered bank. Borrowings under this facility bear interest at the bank's prime rate, and are repayable on demand. The Company has pledged as collateral a general security agreement over existing and future property of the Company and a hypothecation of funds held on deposit with the bank. At December 31, 2000 no amounts (March 31, 2000 - \$nil; March 31, 1999 - \$2,665,730) were drawn under this facility. The Company also has a US \$4,000,000 facility with the same bank to support letters of credit and guarantees. This facility is secured under terms similar to that of the operating line together with an assignment of guarantees issued under agreements with the Export Development Corporation. At December 31, 2000, letters of guarantee issued pursuant to this facility totaled US \$1,391,760 (March 31, 2000 - US \$1,597,743).

7. RESEARCH AND DEVELOPMENT LOAN

In 1999 and 2000, the Company received \$90,000 and \$100,000, respectively, from the Canadian Department of Natural Resources under the Efficiency and Alternative Energy Program designed to promote and encourage the development of energy efficiencies and renewable energy technologies. Funding under this program is to be used in the development of the fuel cell technology. The loan is non-interest bearing and is repayable over a 15 year period starting March 31, 2000, based on 5% of revenue derived from this technology, up to the original sum received.

8. OBLIGATIONS UNDER CAPITAL LEASES

	DEC. 31, 2000	MAR. 31, 2000
Capital leases, with an average effective interest rate of 8.67%, repayable in monthly installments not exceeding \$25,150, including interest, due at varying dates to July 2004	\$ 689	\$ 995
Less current portion	(249)	(348)
	\$ 440	\$ 647

Future minimum lease payments under capital leases are as follows:

2001	\$ 297
2002	261
2003	208
2004	6
	772
Amount representing interest	83
	\$ 689

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

9. INCOME TAXES

The Company's computation of income tax expense is as follows:

	NINE MONTHS ENDED	YEAR ENDED	YEAR ENDED
	DEC. 31, 2000	MAR. 31, 2000	MAR. 31, 1999
		(restated - note 3)	(restated - note 3)
Expected income tax (recovery) expense at 44.62%	\$ (638)	\$ 204	\$ (589)
Add (deduct):			
Non-deductible expenses	15	15	15
Manufacturing and processing deduction	-	(15)	-
Tax losses and deductions not recognized	623	-	574
Recognition of previously unrecorded income tax assets	-	(204)	-
Foreign income taxes	590	128	-
Large corporations tax	319	77	6
Income tax expense	\$ 909	\$ 205	\$ 6

The Company has available to carry forward the following:

	DEC. 31, 2000	MAR. 31, 2000
		(restated - note 3)
Scientific research and experimental development expenditures	\$ 7,300	\$ 2,910
Share issue costs	\$ 6,504	\$ 1,993
Investment tax credits	\$ 2,205	\$ 1,818
Non-capital losses	\$ -	\$ 820

The scientific research and experimental development expenditures can be carried forward indefinitely. Share issue costs and investment tax credits can be used to offset future taxes otherwise payable and expiring as follows:

	2001	2002	2003	2004	2005	TOTAL
Share issue costs	\$1,641	\$1,638	\$1,588	\$1,326	\$311	\$6,504
	2007	2008	2009	2010	2010	TOTAL
Investment tax credits	\$201	\$415	\$552	\$1,037	\$1,037	\$2,205

Components of future income taxes

The Company has not recognized net future tax assets as reflected by the valuation adjustment reported below. The net future tax asset (current and non-current) comprises:

	DEC. 31, 2000	MAR. 31, 2000
		(restated - note 3)
Investment tax credit carry-forwards	\$ 2,205	\$ 1,818
Scientific research and experimental development expenditures	2,673	1,065
Share issue costs	2,382	704
Provision for warranty costs	316	249
Non-capital loss carry-forwards	-	300
Differences between tax base and reported amounts of depreciable assets	(34)	(147)
Foreign tax credit carry-forwards	-	119
Valuation adjustment	(7,542)	(4,108)
	\$ -	\$ -

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

10. SHARE CAPITAL

a) Authorized:

Unlimited number of common shares, without nominal or par value

Unlimited number of preferred shares, issuable in series

b) Issued and outstanding common and preferred shares:

	DEC. 31, 2000		MAR. 31, 2000		MAR. 31, 1999	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
	(000's)		(000's)		(000's)	
Common shares:						
Balance, beginning of period	25,843	\$ 39,522	16,148	\$ 7,673	12,592	\$ 4,832
Issued for cash	-	-	-	-	3,433	3,090
Issued on conversion of preferred shares	-	-	2,450	1,449	48	28
Issued on exercise of options	180	370	316	230	37	15
Issued on exercise of warrants	-	-	3,313	3,479	20	21
Issued on exercise of dealer warrants	-	-	316	284	18	16
Issued on sale and exercise of special warrants	2,900	100,050	3,300	28,050	-	-
Share issue costs	-	(5,481)	-	(1,643)	-	(329)
Balance, end of period	28,923	\$ 134,461	25,843	\$ 39,522	16,148	\$ 7,673

	DEC. 31, 2000		MAR. 31, 2000		MAR. 31, 1999	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
	(000's)		(000's)		(000's)	
Series 2 preferred shares:						
Balance, beginning of period	-	\$ -	-	\$ -	-	\$ -
Issued for cash	1,000	25,000	-	-	-	-
Share issue costs	-	(736)	-	-	-	-
Balance, end of period	1,000	\$ 24,264	-	\$ -	-	\$ -

Series 1 preferred shares:

Balance, beginning of year	-	\$ -	613	\$ 1,450	625	\$ 1,478
Redeemed	-	-	(1)	(1)	-	-
Converted to common shares	-	-	(612)	(1,449)	(12)	(28)
Balance, end of period	-	\$ -	-	\$ -	613	\$ 1,450
		\$ 158,725		\$ 39,522		\$ 9,123

Series 2 non-voting preferred shares have a cumulative dividend of 1% to 5% per annum, based on an inverse relationship to the volume-weighted average share price of the Company's common shares, determined quarterly. The dividend rate decreases in increments of 1% from the maximum rate of 5% with each \$5.00 increase in the weighted average share price above \$30.96, to a minimum rate of 1%. The preferred shares are convertible at the option of the holder into a lesser number of common shares based on the fraction by which their face value of \$25.00 is of the conversion prices identified below:

Period of conversion	Conversion price
To July 31, 2005	\$ 30.96
August 1, 2005 to July 31, 2010	\$ 33.54
August 1, 2010 to July 31, 2015	\$ 36.12
August 1, 2015 to July 31, 2020	\$ 38.70
After July 31, 2020	95% of the then current market price

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

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Dividends can be paid with an equivalent number of the Company's common shares based on its current market price, determined on a previous 20 trading day, volume-weighted, average basis. Unpaid dividends are increased by a 2.45% quarterly rate, compounded quarterly, until payment thereof. The shares are redeemable by the Company at their face value after July 31, 2004.

c) Stock-based compensation plan

Under the Company's Amended Incentive Stock Option Plan (the "plan"), options to purchase common shares may be granted, at the discretion of the Board of Directors, to directors, officers, employees, and consultants of the Company. At December 31, 2000, shares reserved for issuance under the Plan totaled 2,454,003. The exercise prices for options are the prices of the common shares on the Toronto Stock Exchange (TSE) on the day that the Board of Directors approved the options and written notice of the granting of the options is received by the TSE. These options are typically granted for services provided to the Company and vest as to one quarter in each of the four years after granting. The aggregate number of common shares that may be reserved for allotment pursuant to options granted to any one individual may not exceed, at the date of the grant, 5% of the common shares outstanding. The options are non-transferable, and if not exercised, will expire at such time as determined by the Board, but in any event, shall not exceed a period of five years from the date the option is granted. A summary of the Company's stock options is as follows:

	# OF OPTIONS (000's)	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
Balance March 31, 1998	662	\$ 0.45
Options granted	155	1.12
Options exercised	(87)	0.40
Balance, March 31, 1999	730	\$ 0.59
Options granted	214	8.79
Options exercised	(316)	0.73
Balance March 31, 2000	628	\$ 3.32
Options granted	530	27.58
Options exercised	(180)	2.05
Balance, December 31, 2000	978	\$ 16.70

The following table summarizes information about stock options outstanding at December 31, 2000:

RANGE OF EXERCISE PRICES PER SHARE	NUMBER OUTSTANDING AT DEC. 31, 2000 (000's)	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
		WEIGHTED AVERAGE	WEIGHTED AVERAGE	EXERCISABLE AT DEC. 31, 2000 (000's)	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE		
		REMAINING CONTRACTUAL LIFE IN YEARS	EXERCISE PRICE PER SHARE				
\$ 0.40 to \$ 1.15	275	1.65	\$ 0.70	235	\$ 0.62		
\$ 8.60 to \$ 8.80	173	3.43	8.79	33	8.79		
\$20.95 to \$23.50	168	4.49	23.34	-	-		
\$27.00 to \$27.50	261	4.26	27.00	-	-		
\$30.60 to \$38.20	101	4.77	36.11	-	-		
\$ 0.40 to \$38.20	978	3.47	\$ 16.70	268	\$ 1.61		

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

11. COMMITMENTS AND CONTINGENCIES

The Company has entered into operating leases for office premises, plant facilities, and office equipment with future minimum lease payments for the next five years as follows:

2001	\$ 744
2002	590
2003	556
2004	513
2005	362
	\$ 2,765

12. CHANGE IN NON-CASH WORKING CAPITAL BALANCES; SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Changes in non-cash working capital balances are comprised of the following:

	NINE MONTHS ENDED DEC. 31, 2000	YEAR ENDED MAR. 31, 2000	YEAR ENDED MAR. 31, 1999
Changes in non-cash working capital			
Accounts receivable	\$ (1,500)	\$ (4,685)	\$ 994
Inventory	(1,800)	(1,429)	(1,039)
Prepaid expenses	68	(179)	70
Accounts payable and accrued liabilities - net of dividends payable	1,789	3,067	(1,047)
Income taxes payable	624	190	6
Deferred revenue	333	72	(1,551)
	\$ (486)	\$ (2,964)	\$ (2,567)
Supplemental cash flow information			
Interest paid	\$ 55	\$ 166	\$ 170
Income taxes paid	\$ -	\$ -	\$ -

13. OPERATING SEGMENT INFORMATION

The Company has two operating segments consisting of the development and commercialization of fuel cell technology and secondly, the commercial manufacturing of thermoelectric generators and military heaters. Prior period segmented information which reported Generators and Heaters as individual segments, has been restated to conform with current period presentation.

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

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Export revenues include generator sales and service to India for the nine month period ended December 31, 2000 of \$7,006,000 (\$9,332,000 - March 31, 2000; \$nil - March 31, 1999). At December 31, 2000, \$50,000 of the Company's property and equipment was located in India (\$nil - March 31, 2000; \$nil - March 31, 1999).

	NINE MONTHS ENDED DEC. 31, 2000			
	FUEL CELLS	GENERATORS /HEATERS	CORPORATE	TOTAL
Revenue - Domestic	\$ -	\$ 2,281	\$ -	\$ 2,281
- Export	-	16,056	-	16,056
	-	18,337	-	18,337
Cost of goods sold	-	14,545	-	14,545
Gross margin	-	3,792	-	3,792
Investment income	-	-	3,605	3,605
	-	3,792	3,605	7,397
Expenses				
Research and product development - net	4,699	192	-	4,891
Marketing	-	1,504	-	1,504
General and administrative	-	-	2,074	2,074
Interest on obligations under capital leases	-	-	55	55
Foreign exchange gain	-	-	(276)	(276)
Depreciation	227	301	51	579
(Loss) earnings before income taxes	\$ (4,926)	\$ 1,795	\$ 1,701	\$ (1,430)
Capital asset expenditures	\$ 5,196	\$ 280	\$ 99	\$ 5,575
Total assets utilized in the segment	\$ 5,748	\$ 19,457	\$ 135,470	\$ 160,675

	YEAR ENDED MARCH 31, 2000 [RESTATED - NOTE 3]			
	FUEL CELLS	GENERATORS /HEATERS	CORPORATE	TOTAL
Revenue - Domestic	\$ -	\$ 3,925	\$ -	\$ 3,925
- Export	-	23,361	-	23,361
	-	27,286	-	27,286
Cost of goods sold	-	21,460	-	21,460
Gross margin	-	5,826	-	5,826
Investment income	-	-	444	444
	-	5,826	444	6,270
Expenses				
Research and product development - net	1,462	342	-	1,804
Marketing	-	1,759	-	1,759
General and administrative	-	-	1,593	1,593
Interest on obligations under capital leases	-	-	107	107
Foreign exchange gain	-	-	(27)	(27)
Depreciation	110	404	63	577
(Loss) earnings before income taxes	\$ (1,572)	\$ 3,321	\$ (1,292)	\$ 457
Capital asset expenditures	\$ 484	\$ 467	\$ 36	\$ 987
Total assets utilized in the segment	\$ 776	\$ 16,250	\$ 24,413	\$ 41,439

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

YEAR ENDED MARCH 31, 1999 [RESTATEMENT - NOTE 3]

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	FUEL CELLS	GENERATORS /HEATERS	CORPORATE	TOTAL
Revenue - Domestic	\$ -	\$ 3,531	\$ -	\$ 3,531
- Export	-	10,063	-	10,063
	-	13,594	-	13,594
Cost of goods sold	-	9,424	-	9,424
Gross margin	-	4,170	-	4,170
Investment income	-	-	-	-
	-	4,170	-	4,170
Expenses				
Research and product development - net	1,295	1,409	-	2,704
Marketing	-	1,351	-	1,351
General and administrative	-	-	1,148	1,148
Interest on obligations under capital leases	-	-	88	88
Foreign exchange gain	-	-	(273)	(273)
Depreciation	41	375	56	472
(Loss) earnings before income taxes	\$ (1,336)	\$ 1,035	\$ (1,019)	\$ (1,320)
Capital asset expenditures	\$ 265	\$ 1,231	\$ 33	\$ 1,529
Total assets utilized in the segment	\$ 300	\$ 10,028	\$ 135	\$ 10,463

14. FINANCIAL INSTRUMENTS

a) Fair values of financial assets and liabilities

The fair value of cash and cash equivalents, short-term investments, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximates their carrying value because of the short-term nature of these instruments. The carrying value of obligations under capital leases approximates their fair value. The fair market value of the research and development loan is not determinable.

b) Credit risk

The Company manufactures thermoelectric generators for sale to customers in the oil and natural gas industry in North America and international locations. The Company generally extends unsecured credit to North American customers, and therefore, the collection of these receivables may be affected by changes in economic or other conditions and may accordingly impact the Company's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which they extend credit. Material international sales are generally secured with letters of credit to reduce risk of material losses on collection of receivables and may be insured with the Export Development Corporation against wrongful calls of letters of guarantee. The Company also manufactures heaters for contract sales primarily to government agencies.

The Company has not previously experienced any material credit losses on the collection of receivables. At December 31, 2000, approximately 48% of the Company's accounts receivable were owing from two customers (March 31, 2000 - 63% from two customers). As at December 31, 2000 accounts receivable included a provision for allowance for doubtful accounts of \$400,000 (\$nil - March 31, 2000; \$nil - March 31, 1999).

c) Foreign exchange risk

Foreign exchange risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company earns a significant portion of its operating revenue in U.S. dollars and does not use derivative instruments to reduce its exposure to this foreign exchange risk.

NOTES TO FINANCIAL STATEMENTS

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

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15. U.S. GAAP

The Company's financial statements have been prepared in accordance with Canadian GAAP. The net (loss) earnings reported under Canadian GAAP is consistent with the net (loss) earnings and comprehensive income that would be reported under U.S. GAAP.

Stock Based Compensation:

As described in note 10, the Company has granted stock options to selected employees, directors and officers. For U.S. GAAP purposes, Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), required that an enterprise recognize, or at its option, disclose the impact of the fair value of stock options and other forms of stock-based compensation in the determination of income. The Company has elected under SFAS 123 to continue to measure compensation cost by the intrinsic value method set out in APB Opinion No. 25. As options are granted at exercise prices based on the market value of the Company's shares at the date of grant, no adjustment for compensation expenses is required.

Under SFAS 123, where a company chooses to continue to apply APB Opinion No. 25 in its basic financial statements, supplemental pro forma information as if the fair value method was applied must be disclosed. This pro forma information is set out below. The pro forma stock compensation expense has been determined by reference to the Black-Scholes option-pricing model that takes into account the stock price as of the grant date, the exercise price, the expected life of the option, the estimated volatility of the underlying stock, expected dividends and the risk free interest rate over the term of the options.

The calculations applied have assumed that the life of all options granted equals the maximum exercise period, no dividends will be paid, expected volatility as calculated is 128.4% for the nine month period ended December 31, 2000 (March 31, 2000 - 122.5% and March 31, 1999 - 60.4%) and the risk free interest rate is 5.0% (March 31, 2000 - 5.75% and March 31, 1999 - 4.88%).

Pro-forma information with respect to impact of the fair value of stock options at the date of grant on reported income for the years presented is as follows:

	NINE MONTHS ENDED	YEAR ENDED	YEAR ENDED
	DEC. 31, 2000	MAR. 31, 2000	MAR. 31, 1999
		(restated - note 3)	(restated - note 3)
Net income (loss) in accordance with U.S. GAAP	\$ (2,339)	\$ 252	\$ (1,326)
Compensatory fair value of options granted	1,315	246	32
Pro forma net (loss) earnings in accordance with U.S. GAAP	(3,654)	6	(1,358)
Basic and diluted pro forma net (loss) earnings per share in accordance with U.S. GAAP (\$/common share)	\$ (0.15)	\$ 0.00	\$ (0.10)

Recent Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement No. 133 (FAS 133) Accounting for Derivative Instruments and Hedging Activities, which together with its related amendments FAS 137 and FAS 138, are required to be adopted in years beginning after June 15, 2000. The Company expects to adopt the new Statements effective January 1, 2001. These statements will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

Based on the Company's derivative position at December 31, 2000, the adoption of these standards will not have any impact on the Company's financial position or results of operations. The impact of these standards on future years earnings could be material.

CORPORATE INFORMATION

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DIRECTORS (1) Audit Committee (2) Corporate Governance and Compensation Committee (3) Executive Committee	Robert Snyder (2,3) <i>Director and Chairman</i> Former Senior Vice President Nova Gas Transmission Ltd.	Stock Listing The Toronto Stock Exchange Trading Symbol: GLE
Kerry Brown (1,3) <i>Director</i> Chairman and CEO, Foundation Equity Corporation	Henry Yip (2) <i>Director</i> Executive Vice President, Network Services, AT&T Canada	CORPORATE COMMUNICATION To receive the Company's Quarterly Reports and News Releases electronically please visit our website (www.globalte.com) to subscribe for the Company's email service.
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